



U.S. SENATE COMMITTEE ON

Finance

SENATOR CHUCK GRASSLEY, OF IOWA - CHAIRMAN

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Opening Statement of Senator Chuck Grassley
on Revenue Proposals in the President's Budget
Thursday, Feb. 12, 2004

Good afternoon. I call this hearing to order. Today, we will hear testimony on the revenue proposals in President George W. Bush's fourth budget. That budget covers fiscal year 2005. The witness will be Treasury Secretary John Snow. Secretary Snow, welcome back to the Finance Committee. Mr. Secretary, Senator Baucus, and members of the committee, we find ourselves with a great many challenges. The American people expect us to take these challenges seriously, and I am confident that we will respond constructively.

The Finance Committee faces several major challenges this year. Foremost among those challenges, we will need to respond to the WTO ruling against the Foreign Sales Corporation replacement regime known as "ETI." In addition, we hope to address welfare reform and additional trade agreements. On the two principal tasks, the Finance Committee has taken the first step. Last fall, we reported the FSC/ETI replacement legislation and welfare reform. The FSC/ETI replacement regime came out of this committee on an overwhelmingly bipartisan vote: 19-2. We have the momentum and seek floor time from my friend, the Majority Leader. As the Secretary well knows, we face the very real threat of sanctions from the European Union on March 1st. Even in leap year, with the extra day in this month, we're talking about a little more than two weeks away.

We have to take the sanctions threat seriously. There are rumors that some in the other body poo poo this threat, saying that the phased-in schedule is no big deal. Well, let me be clear. I want clear sailing for expanding trade. This gambling with sanctions, if true, will bring a stormy environment to our efforts to expand trade. Gambling with sanctions is tantamount to playing with fire.

So, first off, Mr. Secretary, I hope you can assure me that the Administration agrees that we need to move the FSC/ETI replacement legislation quickly. On welfare reform, likewise, I hope to get some floor time to move the bill through the Senate. Its time has come.

We also haven't finished the job on tax relief for America's workers, families, and small business folks. Under the 2001 and 2003 tax relief bills, there is a sunset on tax relief. It is only fair to make this tax relief seamless and permanent. I don't think anyone wants to see a middle-income family of four see their taxes rise by at least \$600 next year. That's what will happen if we don't extend the child tax credit increase and other family tax relief provisions.

Now, we have to tackle tasks at hand with rising deficits. Like most any Iowan, I get nervous when I see red ink. Over the long-term, the Federal government, just like any Iowa family, has to learn to live within its means.

There are some differences in how we achieve the objective of deficit reduction. One thing I'd like to do today is set the record straight on recent changes in revenues and spending. Contrary to what one often reads and hears, revenues are projected to stay at or near historical averages. The spending side of the ledger, however, has ballooned. I'm looking forward to hearing you, Mr. Secretary, outline how the Administration plans to get us back on a path of deficit reduction.

Before we finish this legislative session, Mr. Secretary, I hope that we will have enacted into law pension reforms aimed at the excesses of Enron and WorldCom. I also hope that we can put into law the tax relief portion of the President's faith-based initiative. As we move into this legislative session, I want to emphasize that we should pursue these issues, where possible, in unity. As the presidential campaign heats up, many seem to have the impulse to divide workers from business owners, and consumers from investors. But these are complementary activities; you can't have one without the other. We can't ignore consumers and workers, who have kept the economy going. In the same manner, we can't ignore business owners and investors, who create jobs and provide the capital for higher economic growth.

The Finance Committee will keep an eye on using the people's tax dollar wisely. We will have to operate within the confines of the budget resolution that Chairman Nickles will produce. On that score, Finance is the only committee in Congress producing significant offsets. If there is good tax policy, like curtailing tax shelters, and it produces revenue, I will pursue it. I'm pleased Mr. Secretary, for instance, to see the Treasury Department join us in shutting down the municipal sale-leaseback scams.

As is always the case, I anticipate the bipartisan cooperation that is the tradition of this fine committee. The American people expect us to focus on their problems and not on our own political agendas. I look forward to Secretary Snow's presentation of the revenue proposals in the President's budget.